

# Auditing Procedures Report

[Instructions and MuniCodes](#)

\* = Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Coe Township	County* ISABELLA	Type* TOWNSHIP	MuniCode* 37-1-030
Opinion Date-Use Calendar* Aug 13, 2008	Audit Submitted-Use Calendar* Sep 11, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

**Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."**

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 230,455.00
General Fund Expenditure:	<input type="checkbox"/> ? \$ 234,409.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 233,136.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ?

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Chad	Last Name* Payton	Ten Digit License Number* 1101021946		
CPA Street Address* 308 Gratiot Avenue	City* Alma	State* MI	Zip Code* 48801	Telephone* +1 (989) 463-6123
CPA Firm Name* Roslund, Prestage & Company	Unit's Street Address* 309 W. Wright Avenue	Unit's City* Shepherd	Unit's Zip* 48883	

**Financial Statements**

**Coe Township**  
**Isabella County, Michigan**

**March 31, 2008**



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March 31, 2008

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## **INDEPENDENT AUDITOR'S REPORT**

Coe Township  
Isabella County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Coe Township, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Township as of March 31, 2008, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 13, 2008, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Roslund, Prestage & Co, PC". The script is cursive and fluid, with the letters connected. The signature is written on a light gray rectangular background.

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

August 13, 2008

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**Coe Township**  
**Management's Discussion and Analysis**  
**April 1, 2007 ~ March 31, 2008**

We, the Board of Coe Township, Isabella County, Michigan, offer citizens of the Township our financial statements with this narrative overview and analysis of the financial activities of Coe Township for the fiscal year ending March 31, 2008.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Coe Township's basic financial statements. The Township's basic financial statements comprise three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements.

This report also contains other supplementary information, in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The ***government-wide financial statements*** are designed to provide readers with a broad overview of the Township's finances in a manner similar to a private-sector business.

The ***statement of net assets*** presents information on all of the Township's assets and liabilities, with the difference between the two reported as ***net assets***. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The ***statement of activities*** presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (***governmental activities***) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (***business-type activities***). The governmental activities of the Township include general government, public safety and public works.

The government-wide financial statements can be found on pages 1-2 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Coe Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: Governmental funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, citizens may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Coe Township adopts an annual appropriated budget for its general fund and trash collection fund. A budgetary comparison statement has been provided on pages 18 and 19 for the general fund and other major funds to demonstrate compliance with this budget.

## **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 8-17 of this report.

## **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budget to actual comparison. Required supplementary information can be found on pages 18 and 19 of this report.



## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of Coe Township, total assets, including capital assets, exceeded liabilities by \$661,835 at the close of the most recent fiscal year.

The unrestricted net assets of Coe Township exceeded its liabilities at the close of the most recent fiscal year by \$286,167, which may be used to meet the Township's ongoing obligations to citizens and creditors.

One of the most significant portions of the Township's net assets reflects its careful investment in capital assets (e.g., land, building, equipment) over the years with no related debt remaining to acquire these assets. The Township uses these capital assets to provide services to citizens; consequently, these assets **are not** available for future spending.

Governmental activities decreased the Township's net assets by \$28,570. *Key elements of this decrease are as follows:*

1. Updating computer for Treasurer.
2. Township participation in bridge engineering.
3. Computerizing Township Tax Roll Property Cards.
4. Increase in Township share of drain assessment expenses.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

## **Governmental Funds Financial Analysis**

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. As of the close of the current fiscal year, Township's governmental funds reported an ending fund balance of \$286,167, an increase of \$46,771 from the 2006 year fund balance.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$211,396 or 90% of total general fund expenditures.

The Township's total expenditures increased by \$94,491 over the 2006 fiscal year expenditures.

## **General Fund Budgetary Highlights**

The difference between the original budget and final amended budget for the General Fund was a \$10,684 increase in expenses and can be briefly summarized as follows – Increase in Township share of drain assessment expenses, Township share of bridge engineering expense for two bridges.

The budget for the Trash Collection fund did not change.

## **Capital Asset and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for its governmental activities as of March 31, 2008, amount to \$375,668, which is net of accumulated depreciation. This investment in capital assets includes: land, buildings, improvements, and cemetery & park facilities.

Major capital asset events during the current fiscal year include the following:

1. Computer for treasurer

Details of the Township's capital assets are in the notes to the financial statements on page 16.

**Long-Term Debt.** At the end of the current fiscal year, the Township had no major debts left outstanding.

### **Economic Factors and Next Year's Budgets and Rates:**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in State-shared revenues are a possibility. However, State-shared revenues are expected to remain the same in the 2008-2009 fiscal year as they were in the previous year. The Township budgeted for a slight decrease in expenditures to offset the current rate of inflation and a slight reduction in its millage rate. Also considered was the low return of interest payments on the Township's money-market and CDs, all of which figure into the general fund appropriations. These factors were all considered in preparing the Township's budget for the 2008-2009 fiscal year.

The Township presented a balanced budget in the 2008-2009 fiscal year, although some funding is expected to be withdrawn from the current fund balance account held in reserve to meet budgeted appropriations.

No rate increases for sale of cemetery lots or cemetery services rendered are proposed for the coming year. Township revenues from its property tax millage, property tax collection fees and State revenue sharing are expected to be comparable to the previous year. The Township is expecting little change in its revenues for the next fiscal year.

### **Request for Information**

This financial report is designed to provide a general overview of the Coe Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Clerk of Coe Township in writing at PO Box 477, Shepherd, Michigan 48883.

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**



Coe Township  
Statement of Net Assets  
March 31, 2008

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Governmental  
Activities

**Assets**

Current assets

Cash and cash equivalents

\$270,400

Due from other governmental units

23,528

Total current assets

293,928

Noncurrent assets

Land

3,750

Capital assets, net of accumulated depreciation

371,918

Total noncurrent assets

375,668

Total assets

669,596

**Liabilities**

Current liabilities

Accounts payable

7,761

**Net Assets**

Invested in capital assets, net of related debt

375,668

Unrestricted

286,167

Total net assets

\$661,835

See Accompanying Notes to Financial Statements.

Coe Township  
Statement of Activities  
For the year ended March 31, 2008

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		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (expense) revenue and changes in net assets</u>
<b>Functions/Programs</b>			
Primary Government			
General government	\$143,777	\$11,100	(\$132,677)
Public safety	38,075	-	(38,075)
Public works	138,226	70,665	(67,561)
Community and economic development	9,612	775	(8,837)
	<u>\$329,690</u>	<u>\$82,540</u>	<u>(247,150)</u>
<b>General Revenues</b>			
Property taxes			83,355
State shared revenues			99,680
Unrestricted investment earnings			9,582
Miscellaneous revenues			<u>25,963</u>
			<u>218,580</u>
Total general revenues			<u>218,580</u>
Change in net assets			(28,570)
Net assets - beginning of year			<u>690,405</u>
Net assets - end of year			<u>\$661,835</u>

See Accompanying Notes to Financial Statements.

# FUND FINANCIAL STATEMENTS



Coe Township  
Balance Sheet  
Governmental Funds  
March 31, 2008

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	MAJOR FUNDS		
	General Fund	Trash Collection Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$211,408	\$58,992	\$270,400
Due from other governmental units	23,528	-	23,528
Total assets	<u>\$234,936</u>	<u>\$58,992</u>	<u>\$293,928</u>
<b>Liabilities</b>			
Accounts payable	<u>\$1,800</u>	<u>\$5,961</u>	<u>\$7,761</u>
<b>Fund Balance</b>			
Designated for cemetery equipment	1,000	-	1,000
Designated for roads	21,000	-	21,000
Unreserved	211,136	53,031	264,167
Total fund balance	<u>233,136</u>	<u>53,031</u>	<u>286,167</u>
Total liabilities and fund balance	<u>\$234,936</u>	<u>\$58,992</u>	<u>\$293,928</u>

See Accompanying Notes to Financial Statements.

Coe Township  
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds  
to Net Assets of Governmental Activities on the Statement of Net Assets  
for the Year Ended March 31, 2008

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Total fund balance - governmental funds	\$286,167
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Add: Cost of capital assets	496,676
Deduct: Accumulated depreciation	<u>(121,008)</u>

Net assets of governmental activities	<u><u>\$661,835</u></u>
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See Accompanying Notes to Financial Statements.



Coe Township  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended March 31, 2008

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	MAJOR FUNDS		
	General Fund	Trash Collection Fund	Total Governmental Funds
<b>Revenues</b>			
Taxes and penalties	\$83,355	-	\$83,355
Licenses and permits	775	-	775
State grants	99,680	-	99,680
Charges for services	11,100	\$70,665	81,765
Interest and rentals	9,582	-	9,582
Other revenues	25,963	-	25,963
Total revenues	230,455	70,665	301,120
<b>Expenditures</b>			
Legislative	8,111	-	8,111
General government	94,139	-	94,139
Public safety	38,075	-	38,075
Public works	66,843	71,383	138,226
Community and economic development	9,612	-	9,612
Other	16,027	-	16,027
Capital outlay	1,602	-	1,602
Total expenditures	234,409	71,383	305,792
Excess of revenues over (under) expenditures	(3,954)	(718)	(4,672)
Fund balance - beginning of year	237,090	53,749	290,839
Fund balance - end of year	\$233,136	\$53,031	\$286,167

See Accompanying Notes to Financial Statements.

Coe Township  
Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
for the Year Ended March 31, 2008

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Net change in fund balances - total governmental funds (\$4,672)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add:	capital outlay	1,602
Deduct:	depreciation expense	<u>(25,500)</u>

Change in net assets of governmental activities (\$28,570)

See Accompanying Notes to Financial Statements.

Coe Township  
Statement of Net Assets  
Fiduciary Funds  
Year Ended March 31, 2008

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	<u>Tax Collection</u>
<b>Assets</b>	
Cash	<u>\$5,721</u>
Total assets	<u><u>\$5,721</u></u>
 <b>Liabilities</b>	
Due to others	<u>\$5,721</u>
Total liabilities	<u><u>\$5,721</u></u>

See Accompanying Notes to Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS



Coe Township  
Note to Financial Statements  
March 31, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of Coe Township (the Township) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

**Reporting Entity**

The Township is governed by an elected five-member Board. The Township receives funding from local and state sources and must comply with all of the requirements of these funding source entities. However, the Township is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the Township's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

**Joint Venture**

The Township is a member of the Shepherd Tri-Township Fire Department, which is a joint venture between the Township and the Village of Shepherd, Chippewa Township, and Lincoln Township. All units are located in Isabella County. Each unit names two members and an alternate from its governmental body to serve as the Fire Department's Advisory Board. The Advisory Board is responsible for adopting the annual budget. Under the arrangement, each unit bears its share of the cost according to a formula which takes the ratio of population and state equalized valuation which each unit involved bears to the total population and state equalized valuation of all units and averages the two. Annual contributions are made based upon the budget. The following financial information of the joint venture was obtained from the audited financial statements of the Shepherd Tri-County Fire Department for the year ended November 30, 2007, the most recent financial statements available:

Total Assets	\$349,550
Total Liabilities	-
Total Equity	339,964
Total Revenues	366,724
Total Expenditures	\$206,473

Capital assets at cost, which are not included in the above numbers, totaled \$1,790,190.

Coe Township  
Note to Financial Statements  
March 31, 2008

For the Fire Department's year ended November 30, 2007 the share of the annual budget for each participating unit was:

<b>Governmental Unit</b>	<b>Share of Budget</b>
Village of Shepherd	14%
Chippewa Township	45%
Lincoln Township	23%
Coe Township	18%
Total	100%

The Township is unaware of any circumstances that would cause it an additional benefit or burden in the near future. Complete financial statements for the year ended November 30, 2007 can be obtained by writing to: Shepherd Tri-Township Fire Department, 410 N. Chippewa, Shepherd, MI 48883.

### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to consumers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Coe Township  
Note to Financial Statements  
March 31, 2008

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, claims and judgments, are recorded only when payment is due.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fiduciary Fund Financial Statements - Fiduciary funds account for assets held by the Township as a trustee or agency capacity on behalf of others and, therefore, are not available to support Township operations. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township's operations. The Township currently maintains an agency fund to account for the monies collected and paid to various governmental entities for property tax collections.

The Township reports the following major funds:

Governmental Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Governmental Fund - The Trash Collection Fund accounts for funds received through special assessments and related payments made for trash collection.

Coe Township  
Note to Financial Statements  
March 31, 2008

### **Budgetary Data**

Budgets are adopted by the Township for the general fund. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

The Township does not maintain a formalized encumbrance accounting system.

### **Property Taxes**

Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property located in the Township as of the preceding December 31<sup>st</sup>. These taxes are due on February 14<sup>th</sup> with the final collection date of February 28<sup>th</sup> before they are added to the county delinquent tax rolls.

For Township operations, the 2007 Taxable Valuation of the Township totaled \$70,144,447, on which .9867 mills were levied.

The total 2007 levy for the Township was \$69,212.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### **Deposits**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit.



Coe Township  
Note to Financial Statements  
March 31, 2008

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits are in accordance with statutory authority.

### **Receivables**

Receivables have been recognized for all significant amounts due the Township as of March 31<sup>st</sup>. Valuation reserves have not been provided since their collection is not considered doubtful and any uncollected amounts would be immaterial.

### **Inventories**

Inventories, which are immaterial in amount, are not recognized as an asset in these financial statements. Inventories are recorded as expenditures at the time of purchase in the governmental and proprietary fund types.

### **Capital Assets**

Capital assets, which include property, plant and equipment, of the governmental activities are reported in the governmental column in the government-wide financial statements. Capital assets of the proprietary funds are reported in the statement of net assets of the proprietary funds. Capital assets are defined by the Township as individual assets with an initial cost equal to or more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Coe Township  
Note to Financial Statements  
March 31, 2008

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Land	Not Applicable – Not Depreciated
Buildings & Improvements	25
Equipment	5
Computers	3

**Governmental Fund – Fund Balance Designations**

The governmental fund financial statements present fund balance designations which represent tentative management plans that are subject to change.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted at the function level and on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end. The Township does not maintain a formalized encumbrance accounting system. The budgeted revenues and expenditures, as presented in this report, include any authorized amendments to the original budget as adopted.

**Excess of Expenditures over Appropriations**

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2008, the Township incurred expenditures in excess of the amounts appropriated as shown in the back of this report.

Coe Township  
Note to Financial Statements  
March 31, 2008

**NOTE 3 - DETAILED NOTES**

**Cash and Cash Equivalents**

At March 31, 2008, the carrying amount of the Township's cash and cash equivalents was \$270,400 as follows:

Cash Deposits	\$138,400
Certificate of Deposit	132,000
Total	\$270,400

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be recovered. At March 31, 2008, the carrying amount of the Township's deposits was \$270,400 and the bank balance was \$274,904. Of the bank balance, \$200,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits government funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

*Investments*

State statutes authorize the Township to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions, and mutual funds composed entirely of the above investments. As of March 31, 2008, the Township had no such investments.

The Township's investment policy complies with the State statutes and has no additional investment policies that would limit its investment choices.

*Interest Rate Risk – Investments*

Under State statutes, investment in commercial paper is limited to maturities of not more than 270 days after the date of purchase. The Township's investment policy does not place any further limitations on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Coe Township  
Note to Financial Statements  
March 31, 2008

*Custodial Credit Risk – Investments*

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Township will not be able to recover the value of its investments that are in the possession of an outside party. The Township requires all security transactions, including collateral for repurchase agreements, to be made on a cash basis or a delivery vs. payment basis. Securities may be held by a third party custodian and must be evidenced by safekeeping receipts. The Township does not have any additional policies for custodial credit risk over investments.

*Credit Risk*

State statutes limit investments in commercial paper to be rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Investments in obligations of the State of Michigan or its political subdivisions must be rated as investment grade by not less than one rating service. Investments in bonds, obligations, or repurchase agreements must be made with the U.S. Treasury and banker's acceptances with United States banks. The Township's investment policy limits investments to be made with prudent judgment as to the safety of the invested capital and probable outcome of income.

*Concentration of Credit Risk*

The Township places no limit on the amount it may invest in any one issuer.

Coe Township  
Note to Financial Statements  
March 31, 2008

### Capital Assets

A summary of changes in general fund capital assets follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>ASSETS</b>				
Land	\$3,750	-	-	\$3,750
Buildings & Improvements	442,750	-	-	442,750
Equipment	54,326	\$1,602	(\$20,268)	35,660
Computers	14,516	-	-	\$14,516
Sub-totals	515,342	1,602	(20,268)	496,676
<b>ACCUMULATED DEPRECIATION</b>				
Buildings & Improvements	(65,710)	(17,710)	-	(83,420)
Equipment	(37,938)	(6,285)	20,268	(23,955)
Computers	(12,128)	(1,505)	-	(13,633)
Sub-totals	(115,776)	(25,500)	20,268	(121,008)
<b>Totals</b>	<b>\$399,566</b>	<b>(\$23,898)</b>	<b>-</b>	<b>\$375,668</b>

Depreciation expense was charged to the general government function.

### Risk Management

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The Township has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years.

### Employees Retirement System – Defined Contribution Pension Plan

#### Plan Description

Coe Township participates in the John Hancock Defined Contribution Pension Plan for Michigan Township Employees. The name of the plan is the Township of Coe Group Pension Plan.

Coe Township  
Note to Financial Statements  
March 31, 2008

All members of the Township Board and all Township Employees are eligible to participate in the plan. As of March 31, 2008, the pension plan's current membership was 5 employees.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. The amounts participants receive depend solely on the amount contributed to the participant's account and the returns earned on those contributions.

*Funding Policy*

Employer contributions for each participant will be 20% of compensation. There are no employee contributions to this plan.

Benefits are 100% vested upon plan participation.

During the year, the Township's actual contributions to the plan amounted to \$5,405.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

**Building Inspection Department Fund**

Public Act 245 of 1999 was signed on December 28, 1999 and took immediate effect. This act amends the State Construction Code Act (Public Act 230 of 1972) and requires, among other things, the establishment of a special revenue fund to account for the revenues and expenditures associated with issuing building permits, examining plans and specifications, inspecting construction before issuing permits, and issuing certificates of use and occupancy.

The Township has not established this fund because the fee structure is not intended to recover the full cost and the Township has the ability to track the full cost and revenues of this activity without creating a separate fund.

The revenues generated under this act for the year ended March 31, 2008 were \$775. The expenditures incurred for this activity during the year ended March 31, 2008 were \$9,612.

## **REQUIRED SUPPLEMENTAL INFORMATION**



Coe Township  
 Budgetary Comparison Schedule  
 General Fund  
 Year Ended March 31, 2008

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	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes and penalties	\$82,400	\$82,400	\$83,355	\$955
Licenses and permits	700	700	775	75
State grants	99,000	99,000	99,680	680
Charges for services	6,500	6,500	11,100	4,600
Interest and rentals	9,000	9,000	9,582	582
Other revenues	11,400	11,400	25,963	14,563
	<u>209,000</u>	<u>209,000</u>	<u>230,455</u>	<u>21,455</u>
Total revenues				
	<u>209,000</u>	<u>209,000</u>	<u>230,455</u>	<u>21,455</u>
<b>Expenditures</b>				
Legislative	10,400	10,400	8,111	2,289
General government	95,215	97,050	94,139	2,911
Public safety	40,000	40,000	38,075	1,925
Public works	64,088	71,404	66,843	4,561
Community and economic development	8,600	9,850	9,612	238
Other	16,000	16,283	16,027	256
Capital outlay	-	-	1,602	(1,602)
	<u>234,303</u>	<u>244,987</u>	<u>234,409</u>	<u>10,578</u>
Total expenditures				
	<u>234,303</u>	<u>244,987</u>	<u>234,409</u>	<u>10,578</u>
Excess of revenues over (under) expenditures	(25,303)	(35,987)	(3,954)	32,033
Fund balance - beginning of year	<u>237,090</u>	<u>237,090</u>	<u>237,090</u>	-
Fund balance - end of year	<u>\$211,787</u>	<u>\$201,103</u>	<u>\$233,136</u>	<u>\$32,033</u>

See Accompanying Notes to Financial Statements.



Coe Township  
 Budgetary Comparison Schedule  
 Trash Collection Fund  
 Year Ended March 31, 2008

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	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Charges for services	<u>\$69,540</u>	<u>\$69,540</u>	<u>\$70,665</u>	<u>\$1,125</u>
Total revenues	<u>69,540</u>	<u>69,540</u>	<u>70,665</u>	<u>1,125</u>
<b>Expenditures</b>				
Public works	<u>69,324</u>	<u>69,324</u>	<u>71,383</u>	<u>(2,059)</u>
Total expenditures	<u>69,324</u>	<u>69,324</u>	<u>71,383</u>	<u>(2,059)</u>
Excess of revenues over (under) expenditures	216	216	(718)	(934)
Fund balance - beginning of year	<u>53,749</u>	<u>53,749</u>	<u>53,749</u>	<u>-</u>
Fund balance - end of year	<u><u>\$53,965</u></u>	<u><u>\$53,965</u></u>	<u><u>\$53,031</u></u>	<u><u>(\$934)</u></u>

See Accompanying Notes to Financial Statements.



## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Township Board  
Coe Township  
Isabella County, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Coe Township as of and for the year ended March 31, 2008, which collectively comprise Coe Township's basic financial statements and have issued our report thereon dated August 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered Coe Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the deficiencies described as 2008-1 and 2008-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above as 2008-1 and 2008-2 are not material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Coe Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management in a separate letter dated August 13, 2008.

Coe Township's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Township's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of management, Township Board, federal awarding agencies, pass-through entities and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Roslund, Prestage & Co, PC".

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

August 13, 2008

### **Finding 2008-1**

#### Finding considered a significant deficiency

Effective for the year ended March 31, 2008, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (Issued May 2006) requires us to communicate in writing when a client requires assistance to prepare the financial statements and related footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

The annual financial statements for the year ended March 31, 2008 required numerous audit adjustments, most of which the staff was aware needed to be recorded. The staff of the Township does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

#### Client Response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We expect this situation to be ongoing in future years.

### **Finding 2008-2**

#### Finding considered a significant deficiency

The Township currently does not have a policy that requires someone other than the preparer (i.e. other members of the Township Board) review all completed bank reconciliations on a monthly basis.

Internal control is most effective when the bank reconciliations are prepared by someone not responsible for entries in the receipts and disbursements records. Inasmuch as this is difficult because of the small number of employees, we recommend that this review procedure be incorporated into the formal accounting policies and performed monthly. This review should include scanning the reconciling items for any unusual items and tracing the reconciled balance to the financial statements.

At the same time we also recommend that the reviewer open the bank statements and review them for any unusual transactions. The review of the bank statement will ensure that unusual items are investigated on a timely basis.

Coe Township  
Schedule of Findings and Responses

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All reconciliations should be signed and dated by individuals preparing them as well as by the reviewers. As a prompt to the preparer and reviewer/approver to sign the reconciliation, preprinted reconciliation forms could include a signature block with space for the signatures, or a stamp with a signature block could be applied to the reconciliations.

Client Response

We are aware of this deficiency and we are in the process of establishing formal procedures and incorporating these procedures into our accounting policies as recommend.



## Management Letter

Members of the Board  
Coe Township  
Shepherd, Michigan

In planning and performing our audit of the financial statements of Coe Township for the fiscal year ended March 31, 2008, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our audit report dated August 13, 2008, on the financial statements of Coe Township.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience.

Sincerely,

*Roslund, Prestage & Co, PC*

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

August 13, 2008

## **STATUS OF PRIOR YEAR COMMENTS AND RECOMMENDATIONS**

We were pleased to see that management has implemented several of the recommendations we included in our previously issued Management Letters. We commend you on your efforts to strengthen internal controls and operating efficiencies.

## **CURRENT YEAR COMMENTS AND RECOMMENDATIONS**

### **Organizational Structure**

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Township Board remains involved in the financial affairs of the Township to provide oversight and independent review functions. For example, we recommend that a member of management open the bank statements and review them for any unusual checks or other transactions before giving them to the Treasurer to perform the reconciliation. Then, after the bank reconciliation is completed, we recommend that management review the reconciliations for any unusual items. Once these reviews are completed, the bank statements and reconciliations should be initialed by the reviewer as evidence that the review had taken place. Management's review of the bank statements and reconciliations will ensure that unusual items are investigated on a timely basis.

### **Adopt a Credit Card Policy**

We noted during our audit that a credit card policy has not been formally adopted. Public Act 266 of 1995 authorizes the use of credit cards by local units of government for appropriate expenses. The act also sets specific criteria which must be followed. One of those criteria is that the local unit must have adopted, by resolution, a written policy regarding various aspects of credit card use. A copy of the requirements of the written policy was provided to management. We recommend that the Township Board review these requirements and adopt a credit card policy for the Township.